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Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20511

Re: Proposed Changes to Closed-End Mortgage Rules (Docket No. R-1366)

Dear Ms. Johnson,

This letter is in response to the Federal Reserve's proposed rule amending Regulation Z with respect to closed-end mortgages. I am a loan originator and branch manager working in Plano, Texas. I have both bachelors' and masters' degrees in Finance and currently serve on the Board of Directors of the Texas Mortgage Bankers Association. Furthermore, I voluntarily seek additional personal mortgage / finance related training semi annually, if not more often. While it is clear that additional consumer protection in the residential mortgage loan process is necessary, I have concerns that will ultimately impact consumers as it relates to the proposals regarding loan originator compensation.

I am employed by a small/mid size mortgage bank. I personally have originated in excess of 200 first lien closed end mortgages *this year alone*. While all loans in a large pool may seem analogous, each and every customer is, in fact, unique, requiring a varying amount of time and/or service. Specific examples from my portfolio include:

- Borrower had an application w/ large institution for over 30 days and was notified that large institution could not meet the contracted closing date. Borrower applied with my firm for an expedited closing. (We closed in 8 business days. Not only did the client pay us a premium for our expedited services, but, ironically, it was still cheaper than what was quoted by the larger institution.) If we had NOT agreed to assist the client in an expedited service, they would have been in default of their purchase contract and, at a minimum, would have incurred significantly higher holdover expenses.
- Borrower is a highly paid executive with limited spare time. For his convenience, I agreed to drive to client's office to facilitate a face to face loan application between his appointments. He gladly paid a premium for this value added service.
- Self employed borrower with extensive tax returns was unable to find a loan officer with the larger institutions willing to review the returns for qualification purposes. Extensive hours were invested in analyzing and counseling the borrower.
- On the opposite end of the spectrum, I have many clients that are repeat customers with simple and quick loan applications. Many times these applicants are offered a below par rate due to client loyalty, and/or a significantly lower amounts of required time necessary to originate their loans.

In order to compensate for the extra work that often goes into certain loan applications, we sometimes charge the customer a higher fee and/or rate. (Ironically, most of the time, this additional consumer cost is still cheaper than what is being offered by the larger, call center based, institutions.)

If the proposed rule prevents my employer from paying adequate compensation for these loans, loan officers will be less inclined to take on the more complex loan applications. Instead, they will focus primarily on the simple applications that are less time consuming or require a lower level of expertise. The foreseeable consequence of this change in focus will make it even more difficult for many deserving consumers to obtain a mortgage loan, particularly those in underserved communities. This could, unfortunately, cause an undesired redlining affect. Furthermore, talented staff will be driven from the industry to seek employment where extraordinary efforts are rewarded. This will limit consumer choices by favoring the large banks, resulting in less competition and higher expenses to the borrower.

Implementing the proposed rules will drastically reduce consumer options. This is easily likened to other areas of the financial services industry. For example, an investor has the ability to go to Fidelity Investments or Schwab for "one size fits all" investment advice. Those companies maintain professionals, presumably on non commissioned salaries, to respond to the investor's requests and provide guidance based on their limited knowledge of the investor's personal needs or goals. Likewise, an investor also has the ability to choose a full service financial advisement entity, such as UBS, Merrill Lynch, Morgan Stanley Smith Barney, and the likes. These firms presumably offer higher levels of service and are more client centric. As such, the investor would expect to pay a premium for the added service. The investor also fully understands that the financial advisor is paid a commission for the services rendered. Regardless, this is the choice of the investor, not government imposed.

I agree that many of the borrowers that accepted risky type mortgage products most likely did so unknowingly. That being said, if the Board adopts the proposed restrictions on loan originator compensation, **the limits should apply only to the riskier products that were at the heart of the subprime meltdown**. Because conventional prime loans do not create the same potential for abuse, the Board should exclude these loans from the restrictions on loan originator compensation and allow for pricing discretion. As with most all other consumer products, local market pressures will dictate acceptable pricing levels.

Furthermore, the continued implementation of the SAFE Act for loan originators, which includes extensive background checks, rigorous testing and continuing education will significantly curb the past abuses that precipitated this proposal. **The Board should allow the SAFE Act time to effect its intended change before implementing additional and burdensome regulation on loan originators.**

Once again, thank you for the opportunity to comment on the proposed rule.

Respectfully submitted,

Mark A. Raskin